

AMENDED IN ASSEMBLY JUNE 24, 1998

AMENDED IN SENATE MAY 12, 1998

AMENDED IN SENATE APRIL 13, 1998

**SENATE BILL**

**No. 2047**

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**Introduced by Senator Lewis**

February 20, 1998

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An act to add Sections 24306.7, 24307.5, and 24312 to, and to amend, repeal, and add Sections 24300, 24306, and 24307 of, the Education Code, relating to the State Teachers' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

SB 2047, as amended, Lewis. State Teachers' Retirement System: benefits.

The State Teachers' Retirement Law authorizes members prior to retirement to elect various alternative joint and survivor options providing actuarially modified retirement allowances.

This bill would establish, on and after January 1, 2000, another option for retired members and option beneficiaries. The bill would also authorize retired members who retired for service under specified options prior to January 1, 1991, to change those options under specified circumstances.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 24300 of the Education Code is  
2 amended to read:

3 24300. (a) Any member prior to the effective date of  
4 the member's retirement may elect an option that would  
5 provide an actuarially modified retirement allowance  
6 payable throughout the life of the member and his or her  
7 option beneficiary as follows:

8 (1) Option 2. The modified retirement allowance  
9 shall be paid to the retired member and upon the retired  
10 member's death, an allowance equal to the modified  
11 amount the retired member was receiving shall be paid  
12 to the option beneficiary.

13 (2) Option 3. The modified retirement allowance  
14 shall be paid to the retired member and upon the retired  
15 member's death, an allowance equal to one-half of the  
16 modified amount the retired member was receiving shall  
17 be paid to the option beneficiary.

18 (3) Option 4. The modified retirement allowance  
19 shall be paid to the retired member as long as both the  
20 retired member and the option beneficiary are living.  
21 Upon the death of either the retired member or the  
22 option beneficiary, an allowance equal to two-thirds of  
23 the modified amount that the retired member was  
24 receiving shall be paid to the surviving retired member  
25 or the surviving option beneficiary.

26 (4) Option 5. The modified retirement allowance  
27 shall be paid to the retired member as long as both the  
28 retired member and the option beneficiary are living.  
29 Upon the death of either the retired member or the  
30 option beneficiary, an allowance equal to one-half of the  
31 modified amount that the retired member was receiving  
32 shall be paid to the surviving retired member or surviving  
33 option beneficiary.

34 (5) Option 6. The modified retirement allowance  
35 shall be paid to the retired member and upon the retired  
36 member's death, an allowance equal to the modified  
37 amount the retired member was receiving shall be paid  
38 to the option beneficiary. However, if the option



1 beneficiary predeceases the retired member, the  
2 retirement allowance without modification for the option  
3 shall be payable to the retired member.

4 (6) Option 7. The modified retirement allowance  
5 shall be paid to the retired member and upon the retired  
6 member's death, an allowance equal to one-half of the  
7 modified amount the retired member was receiving shall  
8 be paid to the option beneficiary. However, if the option  
9 beneficiary predeceases the retired member, the  
10 retirement allowance without modification for the option  
11 shall be payable to the retired member.

12 (b) The option beneficiary, for purposes of this  
13 section, shall have been designated by the member on a  
14 form prescribed by the system and duly executed and  
15 filed with the system at the time of the member's  
16 retirement.

17 (c) A member may revoke or change an election of an  
18 option at any time prior to the effective date of the  
19 member's retirement.

20 (d) This section shall remain in effect only until  
21 January 1, 2000, and as of that date is repealed, unless a  
22 later enacted statute, that is enacted before January 1,  
23 2000, deletes or extends that date.

24 SEC. 2. Section 24300 is added to the Education Code,  
25 to read:

26 24300. (a) Any member prior to the effective date of  
27 the member's retirement may elect an option that would  
28 provide an actuarially modified retirement allowance  
29 payable throughout the life of the member and his or her  
30 option beneficiary as follows:

31 (1) Option 2. The modified retirement allowance shall  
32 be paid to the retired member and upon the retired  
33 member's death, an allowance equal to the modified  
34 amount the retired member was receiving shall be paid  
35 to the option beneficiary

36 (2) Option 3. The modified retirement allowance shall  
37 be paid to the retired member and upon the retired  
38 member's death, an allowance equal to one-half of the  
39 modified amount the retired member was receiving shall  
40 be paid to the option beneficiary.

1 (3) Option 4. The modified retirement allowance shall  
2 be paid to the retired member as long as both the retired  
3 member and the option beneficiary are living. Upon the  
4 death of either the retired member or the option  
5 beneficiary, an allowance equal to two-thirds of the  
6 modified amount that the retired member was receiving  
7 shall be paid to the surviving retired member or the  
8 surviving option beneficiary.

9 (4) Option 5. The modified retirement allowance shall  
10 be paid to the retired member as long as both the retired  
11 member and the option beneficiary are living. Upon the  
12 death of either the retired member or the option  
13 beneficiary, an allowance equal to one-half of the  
14 modified amount that the retired member was receiving  
15 shall be paid to the surviving retired member or surviving  
16 option beneficiary.

17 (5) Option 6. The modified retirement allowance shall  
18 be paid to the retired member and upon the retired  
19 member's death, an allowance equal to the modified  
20 amount the retired member was receiving shall be paid  
21 to the option beneficiary. However, if the option  
22 beneficiary predeceases the retired member, the  
23 retirement allowance without modification for the option  
24 shall be payable to the retired member.

25 (6) Option 7. The modified retirement allowance shall  
26 be paid to the retired member and upon the retired  
27 member's death, an allowance equal to one-half of the  
28 modified amount the retired member was receiving shall  
29 be paid to the option beneficiary. However, if the option  
30 beneficiary predeceases the retired member, the  
31 retirement allowance without modification for the option  
32 shall be payable to the retired member.

33 (7) Option 8. *(A) Any member prior to the effective*  
34 *date of the member's retirement may designate multiple*  
35 *option beneficiaries. The member who has designated*  
36 *more than one option beneficiary shall select an option*  
37 *for each beneficiary designated that would provide an*  
38 *actuarially modified retirement allowance payable*  
39 *throughout the life of the member and his or her option*  
40 *beneficiaries.*



1 (B) The modified retirement allowance shall be paid  
2 to the retired member as long as the retired member and  
3 at least one of the option beneficiaries are living. Upon  
4 the retired member's death, an allowance shall be paid to  
5 each surviving option beneficiary in accordance with the  
6 option elected respective to that beneficiary. However,  
7 if one or more of the option beneficiaries predeceases the  
8 retired member, the retired member's allowance shall be  
9 adjusted in accordance with the option elected for the  
10 deceased beneficiary. The member shall determine the  
11 percentage of the unmodified allowance that will be  
12 modified by the election of Option 2, Option 3, Option 4,  
13 Option 5, Option 6, or Option 7 under this option, the  
14 aggregate of which shall be no greater than 100 percent  
15 of the member's unmodified allowance. The election of  
16 this option is subject to approval by the board.

17 (b) The option beneficiary, for purposes of this  
18 section, shall have been designated by the member on a  
19 form prescribed by the system and duly executed and  
20 filed with the system at the time of the member's  
21 retirement.

22 (c) A member may revoke or change an election of an  
23 option at any time prior to the effective date of the  
24 member's retirement.

25 (d) This section shall become operative on January 1,  
26 2000.

27 SEC. 3. Section 24306 of the Education Code is  
28 amended to read:

29 24306. (a) (1) If the option beneficiary designated  
30 at the time the option was elected predeceases the retired  
31 member, a retired member who elected Option 2, Option  
32 3, Option 4, or Option 5 may designate either or both of  
33 the following:

34 (A) A new option beneficiary.

35 (B) A different joint and survivor option described in  
36 Section 24300.

37 (2) The effective date of the change shall be one year  
38 following the date notification is received by the board,  
39 provided both the retired member and the designated  
40 option beneficiary are then living. Notification shall

1 include proof of death of the predeceased beneficiary and  
2 a properly executed form for the change.

3 (3) The selection of the new joint and survivor option  
4 under this subdivision and Section 24300 is subject to an  
5 actuarial modification in the amount of the retirement  
6 allowance. However, a retired member may not elect a  
7 joint and survivor option that would result in any  
8 additional liability to the fund.

9 (b) If the option beneficiary designated in the election  
10 of an Option 6 or Option 7 pursuant to Section 24300 or  
11 Section 24307 dies after the member's retirement, the  
12 retirement allowance without modification for the option  
13 shall be payable to the retired member upon notification  
14 to the board and shall commence to accrue to the retired  
15 member as of the day following the date of the death of  
16 the option beneficiary. Notification to the board shall  
17 include proof of death of the beneficiary.

18 (c) This section shall remain in effect only until  
19 January 1, 2000, and as of that date is repealed, unless a  
20 later enacted statute, that is enacted before January 1,  
21 2000, deletes or extends that date.

22 SEC. 4. Section 24306 is added to the Education Code,  
23 to read:

24 24306. (a) (1) If an option beneficiary designated in  
25 the election of an Option 2, Option 3, Option 4, or Option  
26 5, or in the election of Option 2, Option 3, Option 4, or  
27 Option 5 under Option 8, predeceases the retired  
28 member, the retired member may designate either or  
29 both of the following:

30 (A) A new option beneficiary.

31 (B) A different joint and survivor option described in  
32 Section 24300.

33 (2) The effective date of the change shall be one year  
34 following the date notification is received by the board,  
35 provided both the retired member and the designated  
36 option beneficiary are then living. Notification shall  
37 include proof of death of the predeceased beneficiary and  
38 a properly executed form for the change.

39 (3) The selection of the new joint and survivor option  
40 under this subdivision and Section 24300 is subject to—~~an~~



1 ~~actuarial modification in the amount of the retirement~~  
2 ~~allowance. However, a retired member may not elect a~~  
3 ~~a further actuarial modification of the modified~~  
4 ~~retirement allowance. In no event may a retired member~~  
5 ~~elect a joint and survivor option that would result in any~~  
6 ~~additional liability to the fund.~~

7 (b) If an option beneficiary designated in the election  
8 of an Option 6 or Option 7 or in the election of Option 6  
9 or Option 7 under Option 8, pursuant to Section 24300 or  
10 24307 predeceases the retired member, that portion of  
11 the retirement allowance attributable to Option 6 or  
12 Option 7 without modification for the option shall be  
13 payable to the retired member upon notification to the  
14 board and shall commence to accrue to the retired  
15 member as of the day following the date of the death of  
16 the option beneficiary. Notification to the board shall  
17 include proof of death of the beneficiary.

18 (c) This section shall become operative on January 1,  
19 2000.

20 SEC. 5. Section 24306.7 is added to the Education  
21 Code, to read:

22 24306.7. (a) Any member who retired for service  
23 under Option 4 or Option 5 with an effective date prior  
24 to January 1, 1991, may elect to change Option 4 to Option  
25 6 or Option 5 to Option 7 if all of the following conditions  
26 are met:

27 (1) The election is made during the three-month  
28 period commencing January 1, 1999, and ending March  
29 31, 1999.

30 (2) The same beneficiary under Option 4 or Option 5  
31 is named as beneficiary under Option 6 or Option 7.

32 (3) The change in options is consistent with Sections  
33 22453 and 24305.

34 (4) The option beneficiary is not afflicted with any  
35 known terminal illness.

36 (5) The option beneficiary has not predeceased the  
37 retired member as of the effective date of the change in  
38 option.

39 (6) The election to change the ~~preretirement election~~  
40 ~~option~~ under this section ~~shall be void if not~~ is received

1 in the system's office in Sacramento at least 30 days prior  
2 to the death of the option beneficiary.

3 (b) Failure to satisfy all of the conditions in subdivision  
4 ~~(a) renders void the change of election. (a) shall render~~  
5 ~~the change of election invalid.~~

6 (c) The change in options *under this section* shall be  
7 effective on the date the election is signed, provided ~~that~~  
8 *all the conditions set forth in subdivision (a) are satisfied*  
9 *and the election is received at the system's office in*  
10 *Sacramento within 30 days after the date of the signature.*

11 ~~(d) If an election to change options is made pursuant~~  
12 ~~to this section, the modified allowance shall be reduced~~  
13 ~~in a manner determined by the board to ensure that no~~  
14 ~~additional liability shall be incurred by the plan pursuant~~  
15 ~~to this section.~~

16 (d) *The selection of a new joint and survivor option*  
17 *under this section is subject to a further modification of*  
18 *the modified retirement allowance. In no event may a*  
19 *retired member elect a joint and survivor option that*  
20 *would result in any additional liability to the fund.*

21 SEC. 6. Section 24307 of the Education Code is  
22 amended to read:

23 24307. (a) A member who qualifies to apply for  
24 retirement under Section 24201 or Section 24203 may  
25 make a preretirement election of an option, as provided  
26 in Section 24300 without right of revocation or change  
27 after the effective date of retirement, except as provided  
28 in this part. The preretirement election of an option shall  
29 become effective on the date the election is signed,  
30 providing the election is received in the system's office in  
31 Sacramento within 30 days after the date of signature.

32 (b) Upon the member's death, prior to the effective  
33 date of retirement, the beneficiary who was designated  
34 under the option elected and who survives shall receive  
35 an allowance calculated under the option, upon the  
36 assumption that the member retired for service on the  
37 date of death. The payment of the allowance to the option  
38 beneficiary shall be in lieu of the family allowance  
39 provided in Section 23804, the payment provided in  
40 paragraph (1) of subdivision (a) of Section 23802, the



1 survivor benefit allowance provided in Section 23854, and  
2 the payment provided in subdivisions (a) and (b) of  
3 Section 23852, except that if the beneficiary dies before all  
4 of the member's accumulated retirement contributions  
5 are paid, the balance, if any, shall be paid to the estate of  
6 the person last receiving or entitled to receive the  
7 allowance. The accumulated annuity deposit  
8 contributions and the death payment provided in  
9 Sections 23801 and 23851, shall be paid to the beneficiary  
10 in a lump sum.

11 (c) If the member subsequently retires for service,  
12 and the elected option has not been canceled pursuant to  
13 Section 24309, a modified service retirement allowance  
14 computed under Section 24300 and the option elected  
15 shall be paid.

16 (d) The amount of the service retirement allowance  
17 prior to applying the option factor shall be calculated as  
18 of the earlier of the member's age at death before  
19 retirement, or age on the last day of the month in which  
20 the member requested service retirement be effective.  
21 The modification of the service retirement allowance  
22 under the option elected shall be based on the ages of the  
23 member and the beneficiary designated under the  
24 option, at the date the election was signed.

25 (e) A member who terminates the service retirement  
26 allowance pursuant to Section 24208 shall not be eligible  
27 to file a preretirement election of an option until one  
28 calendar year elapses from the date the allowance is  
29 terminated.

30 (f) The system shall inform members who are  
31 qualified to make application for a preretirement  
32 election of an option, through the annual statements of  
33 account, that the option is available.

34 (g) This section shall remain in effect only until  
35 January 1, 2000, and as of that date is repealed, unless a  
36 later enacted statute, that is enacted before January 1,  
37 2000, deletes or extends that date.

38 SEC. 7. Section 24307 is added to the Education Code,  
39 to read:

1 24307. (a) A member who qualifies to apply for  
2 retirement under Section 24201 or 24203 may make a  
3 preretirement election of an option, as provided in  
4 Section 24300 without right of revocation or change after  
5 the effective date of retirement, except as provided in  
6 this part. The preretirement election of an option shall  
7 become effective on the date the election is signed,  
8 providing the election is received in the system's office in  
9 Sacramento within 30 days after the date of signature.

10 (b) A member who elects a preretirement election of  
11 an Option 2, Option 3, Option 4, Option 5, Option 6, or  
12 Option 7 may subsequently make a preretirement  
13 election of Option 8. The member may retain the same  
14 option and the same option beneficiary as named in the  
15 prior preretirement election, as an option under Option  
16 8.

17 (c) Upon the member's death, prior to the effective  
18 date of retirement, the beneficiary who was designated  
19 under the option elected and who survives shall receive  
20 an allowance calculated under the option, upon the  
21 assumption that the member retired for service on the  
22 date of death. The payment of the allowance to the option  
23 beneficiary shall be in lieu of the family allowance  
24 provided in Section 23804, the payment provided in  
25 paragraph (1) of subdivision (a) of Section 23802, the  
26 survivor benefit allowance provided in Section 23854, and  
27 the payment provided in subdivisions (a) and (b) of  
28 Section 23852, except that if the beneficiary dies before all  
29 of the member's accumulated retirement contributions  
30 are paid, the balance, if any, shall be paid to the estate of  
31 the person last receiving or entitled to receive the  
32 allowance. The accumulated annuity deposit  
33 contributions and the death payment provided in  
34 Sections 23801 and 23851, shall be paid to the beneficiary  
35 in a lump sum.

36 (d) If the member subsequently retires for service,  
37 and the elected option has not been canceled pursuant to  
38 Section 24309, a modified service retirement allowance  
39 computed under Section 24300 and the option elected  
40 shall be paid.

(e) The amount of the service retirement allowance prior to applying the option factor shall be calculated as of the earlier of the member's age at death before retirement, or age on the last day of the month in which the member requested service retirement be effective. The modification of the service retirement allowance under the option elected shall be based on the ages of the member and the beneficiary designated under the option, at the date the election was signed.

(f) A member who terminates the service retirement allowance pursuant to Section 24208 shall not be eligible to file a preretirement election of an option until one calendar year elapses from the date the allowance is terminated.

(g) The system shall inform members who are qualified to make application for a preretirement election of an option, through the annual statements of account, that the option is available.

(h) This section shall become operative on January 1, 2000.

SEC. 8. Section 24307.5 is added to the Education Code, to read:

24307.5. Upon retirement for service, the member who filed a preretirement election of an option under Section 24307 shall have his or her allowance modified by the greater of the option factor as of the effective date of the preretirement election, or the option factor at the time the member's retirement became effective.

SEC. 9. Section 24312 is added to the Education Code, to read:

24312. (a) A member who has a preretirement election of an option in effect on December 31, 1999, may change his or her preretirement election of Option 2, Option 3, Option 4, Option 5, Option 6 or Option 7 to Option 8 without the allowance reduction prescribed in Sections 24309 and 24310, provided the change is made on or after January 1, 2000, and prior to the earlier of July 1, 2000, or the member's effective date of retirement.

(b) If the member elects to change his or her option under this section then the member shall retain the same

1 option and the same option beneficiary as named in the  
2 prior preretirement election of an option as one of the  
3 options under Option 8. The election to change the  
4 preretirement election under this section shall be void if  
5 not received in the system's office in Sacramento at least  
6 30 days prior to the death of the option beneficiary.

7 (c) This section shall become operative on January 1,  
8 2000.

9  
10 CORRECTIONS

11 Text — Page 6.

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